

Events Facility Task Force

Report to Mayor Coleen J. Seng October 27, 2005

Introduction

Mayor Seng appointed the Events Facility Task Force in the spring of 2005 to coordinate discussion of several ideas circulating in the community about possible arena and convention facilities. Mayor Seng directed the Task Force to study and evaluate the proposals, investigate and explore other ideas and make recommendations in light of Lincoln's unique characteristics that would prevent duplication and focus on market needs.

In announcing the Task Force, Mayor Seng said that the community's limited financial resources and the apparent lack of coordination between the separate venues and their ideas spoke to the need to create a focused vision for the future. Lincoln, she said, needs a single community vision for a new convention center and arena. Mayor Seng invited leaders who represent each of the venues to participate in the Task Force and share in making recommendations for a new arena and more quality convention space.

The Convention, Sports and Leisure (CSL) study, commissioned by the Downtown Lincoln Association and the Lincoln Chamber of Commerce and released in December 2004, urged Lincoln to add arena space and to replace Pershing Center. The report noted that convention space was limited, but mostly adequate. By the spring of 2005, proposals for expansion or new construction were being contemplated at State Fair Park, Lancaster Events Center and in the Haymarket. The futures of Pershing Center and the Devaney Center also were under discussion.

Mayor Seng urged the Task Force members to make recommendations that would prevent duplication and capitalize on Lincoln's existing financial resources to ensure success. Pursuing competing individual strategies without regard to the impact each facility might have on the others may well result in wasted resources and the financial failure of individual facilities, she said.

Appointed to the Task Force were:

Dick Campbell, Chair, Chamber of Commerce; Rick Bjorklund, State Fair Park; Tom Lorenz, Pershing Center; Dale Gruntorad, Lancaster Events Center; Harvey Perlman, University of Nebraska-Lincoln; Deb Schorr, Lancaster County Board, County Visitor Promotion Committee; Don Herz, City of Lincoln, Finance Department; Lori McClurg, State of Nebraska; Kent Seacrest and Roger Larson, West Haymarket; Polly McMullen, Downtown Lincoln Association; Wendy Birdsall, Lincoln Convention & Visitors Bureau; and Ron Ecklund, Lincoln Independent Business Association. Ann Harrell, Mark Bowen and Darl Naumann, City of Lincoln, provided staff assistance. Mayor Seng also attended most Task Force meetings.

Summary of Recommendations

The Task Force's work resulted in these basic recommendations:

- The State of Nebraska, State Fair Park Board, University of Nebraska-Lincoln, City of Lincoln, Lancaster County and Lancaster County Agricultural Society should approach the issue of events-related physical facilities in a unified manner that produces an integrated plan. This plan should be developed within six months. The Task Force recommends the Mayor convene a group to oversee development of that plan.
- Any existing plans to expand or develop events facilities should be placed on hold until an integrated plan is complete.
- The Task Force considered the possibility of the Lincoln community building an arena, a hotel/convention center, and an exposition center. The Task Force felt there were strong arguments that the community would be well served by building all of them in a planned sequence.
- The community should fund a financial study to determine what the community can afford and the most advantageous way to approach the financing, timing, phasing, governance and environmental considerations associated with any new construction.
- The preferred location for a future arena and hotel/convention center is the west Haymarket District. Cost considerations and the extent of university participation may affect this recommendation.
- The integrated plan and the group overseeing the plan should direct and assist the State Fair Park Board and the Lancaster County Agricultural Society to combine their operations into a single consolidated campus with a new or expanded exposition center to serve both their needs.
- The decision about whether to locate the Nebraska State Fair and the Lancaster County Fair at State Fair Park or at the Lancaster Events Center should be based on an analysis of the infrastructure serving each site; the facilities already available at each site; the cost to improve each site to serve both the State and County fairs; a discussion of how the location that is not selected could be turned to other uses; and how a new use might help both fairs achieve their goals.
- The Task Force recognizes that it has no authority to compel the governmental bodies that own and support Lincoln's events facilities to unite and implement this report. The Task Force strongly recommends that the best outcome for the community only will occur if the governmental bodies act together to capitalize on their complementary powers to plan, fund, build and manage new facilities. The Task Force hopes the public will insist its elected officials act in harmony to achieve an integrated plan.

Fact-Finding

The Task Force decided that visits to existing facilities would allow everyone on the Task Force access to the same information as the Mayor's charge was considered. The Task Force started by visiting three Lincoln venues: Pershing Center, State Fair Park and Lancaster Events Center. At each venue, the group toured the facilities and learned about the history, finances, circumstances, physical condition, partnerships with other venues and future prospects of each location.

Pershing Center

Over Pershing's nearly 50-year history, much has changed. Most of the core business from Pershing's early days, the civic and community dinners and meetings and local trade shows, have moved to "hotel-quality" exhibition spaces. During the 1970s, Pershing was a regular venue for touring bands as they traveled between the major markets of Chicago and Denver. A number of factors, including new regional venues, the lack of seating capacity, limited production space and a lack of patron and client amenities have contributed to Pershing losing major concerts and family shows to other communities. Pershing, through aggressive marketing, strong management and an upswing in the cyclical concert business, enjoyed a brief resurgence of major concerts about five years ago. The resurgence was short-lived with the opening of the Mid-America Center in Council Bluffs and the Qwest Center in Omaha. Both new venues regularly draw the A-level shows and take a significant share of entertainment dollars from the Lincoln market. Pershing has adapted to the change in the competitive landscape by recruiting new shows and keeping existing shows such as regional religious youth conferences, locally promoted boxing, retail outlet sales, USA Roller Sports, Ribfest, high school tournaments and minor league sports. Pershing is booked between 100 and 150 dates per year. Pershing is a structurally sound building with an aging/failing infrastructure. A bond issue for \$1 to \$2 million would be needed to address heating, ventilating and air conditioning problems and asbestos removal; replace existing outdated and inefficient lighting fixtures; improve special-needs access; address basic wiring deficiencies; and begin to replace worn out fixtures and equipment. Even if those improvements were made, they would not increase Pershing's capacity nor would they address concourse size, production space deficiencies, patron amenities such as restrooms, expanded concession areas or pre-function / lobby space. A massive remodeling of Pershing on its footprint of one city block would not be practical nor would it increase seating or address production-parking issues.

State Fair Park

The Nebraska State Fair is comparable to a small business just emerging from bankruptcy. The Fair Board is determining how to use the State Lottery proceeds and assessing the impact of having gone so long on minimal repairs and little capital infrastructure investment. Lincoln now makes payments to the Fair, which "trigger" the availability of state lottery fund payments as was approved by voters statewide. Some improvements have been made with the money, including restrooms, paint, air conditioning in the Lancaster Building and a new playground. The Fair itself is a high-profile 11-day event. But it is only \$2.5 million of the \$7.5 million business in operation at State Fair Park. The fairgrounds encompass 250 acres, 70 buildings and more than one million square feet in various structures. About 250,000 square feet is exhibit space. Of that, 90,000 square feet is in the Industrial Arts building. This year, that building was closed during the Fair due to structural issues. So for the 2005 Fair, there were 160,000 square feet of exhibit space, of which 80,000 square feet is air conditioned. These numbers do not include Devaney, only areas under the Fair Board's direct control. There is an additional 65,000 square feet of exhibit space in Devaney. State Fair Park needs a large, up-to-date, air-conditioned exhibit space that also can be used effectively during the non-fair season. At 23,000 square feet, Agriculture Hall is the biggest contiguous space. But it is a metal building with no amenities, no ability to be divided and no break-out rooms. The Fair needs to build off-season revenue, as successful fairs rely heavily on off-season events for financial support. This Fair does not have that option: it needs a new building big enough to handle three or four events simultaneously in divided space.

Lancaster Events Center

A partnership between the Lancaster County Board of Commissioners and the Lancaster County Agricultural Society was formed to build the center to serve as the Lancaster County Fair's venue. The center hosts agricultural trade shows, equestrian and livestock shows, regional and national equipment shows and various other events. The center features three large interconnected structures. The multipurpose arena has bleacher seating for 2,000 and has a dirt floor that can be packed and covered with carpet for alternative uses. The two pavilions each house 400 stalls. The center has a total of more than 210,000 square feet of exhibit space and parking for 2,000 vehicles on more than 160 acres. The center was not intended to be a concert facility. There is no full kitchen, but the center has two concession stands and can cook popcorn and hot dogs. The center is in use about 50 weekends a year. Some national events have shown interest in coming to Lincoln, but the center does not have the space to accommodate the needs of larger events. The center management wants to build a second phase, but needs funds to do it. The center would like the County Board to provide a share of the lodging tax to aid in this effort. The center would like to expand and would like more concrete floor space. The center has requested a change of zone for some of its land because some customers would like a motel nearby, and the change of zone could provide a revenue source if the land were to be leased to a motel and/or retail developer.

Other Tours and Information

Task force members also toured the Qwest Center and Mid-America Center and received additional information about the Devaney Center.

Qwest Center

The tour of the Qwest Center in Omaha focused not only on the public access areas, but also the non-public production and support areas. The designers of the Qwest Center brought facility professionals into the design process early in the planning stages, and together they ultimately spent as much time, space and resources on the service corridors, kitchens, locker rooms, pantries, concession stands, press rooms, parking areas and equipment storage locations as they did on the public concourses and performance spaces. This partnership and dedication to excellence in the support spaces made the Qwest Center arena and convention center efficient and functional for the patron, client, athlete and artist. The Qwest Center's arena strengths are 16,000-plus seating capacity in the arena; multiple luxury suites; club seating; a club-level restricted-access restaurant and pub; wide concourses; multiple concessions sales locations; numerous public restrooms; an attached parking garage; large main floor area; sport team training and fitness areas; a five-truck loading dock; a box-truss roof structure designed to accommodate concert rigging; a curtain system that allows the arena to be reduced in size to match the needs of the event; and a multi-screen combination scoreboard-video screen. The convention space is expansive. The exhibition area has easy truck and vendor access, a grid of floor access utilities, high ceilings with heavy steel girders to allow rigging, multiple break-out rooms and smaller meeting support spaces. The ballroom complex has a hotel-quality finish, a fully accessible service corridor, a large catering/kitchen complex, multiple truck loading ramps and the ability to divide the large spaces into smaller segments. The entire convention center complex is physically attached to the arena with large joint concourse and service access areas. A hotel is directly across the street, and it has skywalk access to the arena/convention center.

Mid-America Center

The Mid-America Center in Council Bluffs is located almost directly across the river from the Qwest Center. It was built with dollars from the Iowa West Foundation. The funds for the Iowa West Foundation come from gambling revenues. The complex opened in October 2002, and final construction was completed in 2003. Arena seating capacity for concerts can be almost 9,000, but some value-engineering decisions made during construction made the actual usable total seating closer to 8,000. The Mid-America Center is an arena/convention center complex. The convention center has 24,000 square feet of exhibition space with high ceilings and floor accessible utilities. The ballroom complex is 23,000 square feet of hotel-quality banquet and exhibition space with eight break-out rooms. An adjacent small hotel is attached to the building. The resident tenant is the Omaha Lancers USHL hockey team. The team struggles to maintain attendance with Omaha now hosting both the UNO hockey team and the Knights, a new AHL (AAA) level professional team. The greatest challenges for the Mid-America Center are its close proximity to the Qwest Center and its modest seating capacity. Promoters are choosing Qwest because it offers higher gross potentials, greater seating capacity and better production spaces. Adjacent to the Mid-America Center is Bluffs Run Casino and the new 150,000-square-foot Bass Pro Shop store.

Devaney Center

The Devaney Sports Center was built in two phases, 1976 and 1981, as an indoor athletic venue for UNL and an arena for the State Fair. The building is about 375,000 gross square feet with three primary event areas: a 13,595-seat basketball arena; a swimming pool with spectator seating; and an indoor track with spectator seating. Over the years, more than \$3 million has been spent to upgrade some areas. There have been two roof replacement projects: the swimming pool in 1991 and the arena in 1999. Devaney is in good condition and should serve for another 20 years without making an unusual investment, though cosmetic and modernization expenditures are anticipated. Devaney houses various events and administrative offices and is “home” to men’s and women’s basketball, gymnastics and wrestling. By agreement with the State Fair Board, UNL must dedicate the arena for the Fair’s use during the Fair. The Fair is not charged rental fees. Otherwise, use of Devaney for external events is limited, as athletic uses dominate the schedule. About 10 to 15 non-university events are held annually at Devaney, including State Fair concerts, state high school basketball championships, the annual Watchtower convention and swimming competitions. Excluding event ticket sales, revenue for use of Devaney from external groups is generated from rental income, concessions and parking. As a community service, Devaney’s rental fees only recover operating costs. The arena rental fee averages \$3,000 per day. Gross annual rental income, excluding the state wrestling tournament that is moving to Omaha, is about \$70,000 for various swimming, track and general events. Net concession revenue for external events at the Devaney Center is about \$100,000 annually. UNL generates \$75,000 net revenue from parking in university lots only. The lots north of Devaney are not operated by UNL, nor does UNL receive income from those lots. About one third of the revenue is generated from non-UNL events. Parking income is retained by UNL Parking and Transit Services, not athletics. The loss of the state wrestling championships had a modest financial impact on athletics and parking, less than \$30,000 in total.

Downtown Master Plan/West Haymarket

The Task Force broadened its research by requesting a briefing from the DLA and the partnership that formed the West Haymarket study group. The DLA began seeking an update of the Downtown Master Plan in 1999. The previous plan was done 30 years ago. Downtown is vital to Lincoln's image and to recruiting jobs. Downtown is the center of culture, government and employment. The new Downtown Master Plan, approved by the City Council September 26, 2005, was a partnership between the City, DLA, UNL and the business community. The plan's goals include adding retail shops; connecting the Haymarket to the downtown; a civic plaza; encouraging more residential development; and addressing future entertainment/arena needs. A market analysis performed as part of the master plan projected a need for about 1,000 additional hotel rooms over the next 20 years in downtown.

The West Haymarket Business Group conducted a private study of a possible future Haymarket-area convention/hotel/arena. The group formed following John Q. Hammons' announced interest in building a hotel/convention center in the Haymarket. The Burlington Northern/SanteFe had already been looking at consolidating three tracks and is willing to discuss relocating tracks. Amtrak also would be willing to look at relocating the passenger depot. The arena could be located at the site of the current post office, as noted by CSL. Local postal officials would discuss relocation because most mail now comes and goes by truck, not train, and they would prefer a more accessible location. With Memorial Stadium and Haymarket Park nearby, a new arena that could accommodate UNL sports teams and other university-related activity would create a "sports triangle" near downtown hotels and parking garages. There also could be room in this area for future community sports field needs. The group studied an arterial road system that could link with the Antelope Valley "Big T" bridge and I-180 to the north; Ninth and 10th streets and the K and L streets viaducts to the south; and O Street to the west. The cost of the total vision would be close to \$225 million, which would be a combination of private and public funds. This location would provide an opportunity to explore possible future partnerships with State Fair Park not far away.

Convention, Sports and Leisure

The Task Force invited John Kaatz of CSL to visit Lincoln again and provide an overview of the study's findings and key points as they relate to Lincoln's convention space, arena situation, sizing a new facility and selecting a location. Among other things, Kaatz said that although Pershing operates well and is a cost-effective alternative, it is below industry standards. The market has the potential to produce new events for this region, though Omaha will be viewed as a primary market regardless of Lincoln's development decisions. Hotel and event facilities are critical to downtown economies, and public/private endeavors should be strongly considered for the downtown. University support and participation will be important to a new arena. Kaatz noted the similarities between the facilities and markets for State Fair Park and the Lancaster Events Center and said it makes sense to combine these similar venues. He reviewed what's happened in communities in which a new arena and/or convention center have served as major motivators for economic development. He also mentioned ideas these communities have pursued to finance their developments, such as a dedicated sales tax. He said that in Lincoln, the County's lodging tax will not be enough, and we will need other options as well. Private sector funding for such things as skyboxes and naming rights may amount to as much as 30 percent of

the total, but really the public sector will be the primary source of funding in Lincoln. Replacing Pershing will be expensive, and it's a tough market, but he said it can be done and Lincoln could finance it. Kaatz emphasized again that the Events Center and State Fair Park should be combined into a single operation in a single location. He said a new arena and convention center do not need to be literally linked together, though they should be close together. Kaatz said successful projects such as Lincoln is considering, when examined across the country, usually have an arena, convention center and hotel in close proximity with support from restaurants, shopping, convenient parking and good transportation – all close by. He encouraged the Task Force members to consider where Lincoln's entertainment activity is located and to explore how close they can get a new arena and convention center to that. He said State Fair Park is not close enough to Lincoln's entertainment center and that Pershing may not even be close enough.

Defining Parameters

At the conclusion of the fact-finding portion of its work, the Task Force began defining its goals. In making recommendations to Mayor Seng about a single vision for Lincoln's future arena and convention center development, the Task Force reached conclusions in a number of areas.

Lost Opportunities

- ◆ Lincoln has lost events that have been coming here for years, such as the state high school wrestling tournament, because existing spaces are inadequate.
- ◆ Some local events designed to attract attendance just within the Lincoln community turn people away because there is not enough room.
- ◆ Lincoln is unable to compete for events the community otherwise is eligible to host because Lincoln cannot meet their space needs.

Viability Concerns

- ◆ Today's patrons expect amenities not currently available in Lincoln's existing facilities.
- ◆ There is reason to be concerned about the future of some existing venues. Deferred maintenance and the fact that some venues are reaching the ends of their reasonably expected economic lives are important considerations.

Community Orientation

- ◆ Whatever is built must address Lincoln's unique characteristics and must satisfy the community's convention and entertainment needs for the next 50 years.
- ◆ As Nebraska's capital city and home to a major land grant university, Lincoln can and should attract local, state and regional events. Lincoln also should capitalize on the conference and event opportunities generated by the leading edge research and technology development in the business sector and Nebraska's institutions of higher education.
- ◆ A new arena/convention center must be an economic development tool to encourage local business growth and retention and to attract attention to Lincoln

as a prime location for locating and expanding employment.

- ◆ Creating an environment that nourishes tomorrow's workforce and retains top area graduates means paying attention to Lincoln's quality of life. That includes providing high-quality events at a first-rate arena and convention center.

Single Vision

- ◆ The focus in the future must be on cooperation, eliminating duplication and doing what's best for the community as a whole.
- ◆ Whatever is developed will require a public-private partnership.
- ◆ Lincoln needs an efficient, effective strategy to build new space that provides a realistic opportunity to attract a broad array of events that would be located in an area most likely to generate positive economic activity.

Recommendations

Based on their review of Lincoln's circumstances, the Task Force members recommend the community develop three new events venues: an arena; a convention center and hotel; and an exposition center.

Arena

- ◆ Lincoln should build a new arena of at least 15,000 seats and skybox suites to replace Pershing Auditorium.
- ◆ The community should explore a cooperative arrangement with UNL that would facilitate hosting UNL academic and athletic functions in the new arena. The terms of such an arrangement may have an impact on the number of seats recommended.
- ◆ The new arena should be financed through partnerships that make use of multiple funding strategies.
- ◆ The CSL study demonstrated that the most successful arenas are those located in close proximity to a hotel and convention center, with good retail shopping, restaurant and entertainment opportunities nearby, and supported with convenient parking and transportation. In Lincoln, a new arena should be located in an area that has as many of these amenities as possible. West Haymarket appears to offer the greatest number of these amenities.

Convention Center/Hotel

- ◆ Lincoln should seek an opportunity with a developer who will build a new hotel and convention center to complement a new arena.
- ◆ The developer should play a key role in determining the size of the convention center exhibition hall, ballroom and break-out space and the number of hotel rooms. The Task Force recommends the convention center feature commercial-quality exhibition space of at least 35,000 to 50,000 square feet, 35-foot-high ceilings, floor accessed utilities, multiple truck loading docks, at least 20,000 square feet of hotel-quality banquet space and enough break-out rooms to support

the exhibition hall.

- ◆ The right combination of amenities for a convention center may be achieved through the expansion of an existing facility or in conjunction with a new arena.

Exposition Center

- ◆ The exposition center should provide a single Lincoln location for animal shows, agricultural events, fairs, trade shows and comparable rental opportunities.
- ◆ A workable solution should be found to create a single new center at either State Fair Park or the Lancaster Events Center.
- ◆ Detailed specifics about what should be built to meet the needs of both organizations should be identified after a single location is selected. Existing facilities differ at each prospective site.

Governance

The Task Force recognizes that all of Lincoln's events facilities require public financial support to some extent. For that reason, the Task Force is committed to minimizing government expenditures by eliminating duplication. Thus, the Task Force recommends the Lincoln community explore a new approach to coordinating the various events facilities to maximize their value and economic benefit to the community.

As stated in the summary of recommendations, the Task Force recognizes that it has no authority to compel the governmental bodies that own and support Lincoln's events facilities to unite and implement this report. But the Task Force strongly recommends that the best outcome for the community only will occur if the governmental bodies act together to capitalize on their complementary powers to plan, fund, build and manage new facilities. The Task Force hopes the public will insist its elected officials act in harmony to achieve an integrated plan.

In the Task Force's opinion, an orderly, formalized and unified governance structure would maximize advantages, minimize duplication and leverage financial resources through cooperative agreements. Lincoln is well known for its commitment to forming successful cooperative relationships for achieving common goals, especially among governmental subdivisions. By pursuing this model once again, Lincoln could establish a system that would serve our needs for many years to come.

One idea for how such a governance structure might be designed is attached to this report. Other variations on this approach could work equally well and should be fully explored.

Fundamentally, a single governance structure must include every governmental subdivision with a stake in an events facility, if they have a desire to participate. It must be a way to take advantage of the best each partner has to offer and make the most of public and private resources.

Conclusion

Lincoln is a prosperous, growing community with a vibrant events industry serving both the local and regional communities. The time has come to invest in Lincoln's events infrastructure in order to ensure Lincoln's position as a competitive, attractive and desirable location for events.

Lincoln must have a coordinated plan for making that new investment and building new events facilities. That plan must have a timetable to provide new facilities while remaining mindful of the need to finance other needs in the community. In the absence of a single vision, money will be spent inefficiently, and the community will not benefit as it should from the significant expenditure of public and private funds that will occur.

The recommendations the Task Force has made will require a high degree of cooperation among governmental agencies. They also will require compromise and accommodation among the specific constituencies served by each existing events venue. The Task Force believes this cooperation and compromise is essential to maximizing the return on public investment.

The Task Force suggests that the elected and appointed officials governing each events venue in Lincoln refrain from committing significant additional funds to any major new expansion or construction until an integrated plan has been adopted. The best use of each public dollar would be in support of a common strategy for everyone's mutual benefit.

Finally, the Task Force recognizes that additional study will be required before Lincoln can move ahead to meet its need for new or improved events facilities. Most importantly, the community needs a financial strategy to guide its steps. The Task Force members suggest that Mayor Seng continue this work into a second phase, focusing on the financial and land use questions raised by the recommendations in this report.

